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25 August 1945

Mr. Harold D. Smith, Director
Bureau of the Budget
Executive Office of the President
Washington, D. C.

My dear Mr. Smith:

In answer to your communication of August 23, 1945 in reference to further reduction of personnel, we are working under what is in effect a liquidation budget. Within its provisions we have taken steps to terminate many of our operational (as distinct from intelligence) activities and to reduce the remaining parts to a size consistent with present obligations in the Far East, in the occupation of Germany and Austria, and in the maintenance of missions in the Middle East and on the Asiatic and European continents.

As our liquidation proceeds it will become increasingly difficult to exercise our functions so that we have found it necessary to set up a liquidating committee with procedures and controls to provide for the gradual elimination of our services in step with the orderly reduction of personnel.

It is our estimate, however, with the strictest economy of manpower and of funds the effectiveness of OSS as a War Agency will end as of January 1, or at the latest February 1, 1946, at which time liquidation should be completed. At that point I wish to return to private life. Therefore, in considering the disposition to be made of the assets created by OSS, I speak as a private citizen concerned with the future of his country.

In our Government today there is no permanent agency to take over the functions which OSS will have then ceased to perform. These functions while carried on as incident to the war are in reality essential in the effective discharge by this nation of its responsibilities in the organization and maintenance of the peace.

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Since last November, I have pointed out the immediate necessity of setting up such an agency to take over the valuable assets created by OSS. Among these assets was the establishment for the first time in our nation's history of a foreign secret intelligence service which reported information as seen through American eyes. As an integral and inseparable part of this service there is a group of specialists to analyze and evaluate the material for presentation to those who determine national policy.

It is not easy to set up a modern intelligence system. It is more difficult to do so in time of peace than in time of war.

It is important therefore that it be done before the War Agency has disappeared so that profit may be made of its experience and "know how" in deciding how the new agency may best be conducted.

I have already submitted a plan for the establishment of a centralized system. However, the discussion of that proposal indicated the need of an agreement upon certain fundamental principles before a detailed plan is formulated. If those concerned could agree upon the principles within which such a system should be established, acceptance of a common plan would be more easily achieved.

Accordingly, I attach a statement of principles, the soundness of which I believe has been established by study and by practical experience.

Sincerely,

William J. Donovan
Director

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